

AMENDED IN SENATE MAY 16, 2005

SENATE BILL

No. 545

Introduced by Senator Ortiz

February 18, 2005

An act to amend Section 22855 of the Government Code, relating to public employee benefits.

LEGISLATIVE COUNSEL'S DIGEST

SB 545, as amended, Ortiz. Public employee benefits: health benefit plans.

The Public Employees' Medical and Hospital Care Act authorizes the Board of Administration of the Public Employees' Retirement System to contract with carriers for health benefit plans and major medical plans for employees and annuitants, as defined, and approve other specified plans. Existing law requires the board to give reasonable notice of its intention to withdraw approval of a plan, as specified, and prohibits the board from withdrawing approval except when notice has been given and all interested parties have been afforded a reasonable opportunity for public hearing on the question.

This bill would create additional requirements for the board in connection with a change of a health benefits plan or withdrawing approval of a health benefits plan. The bill would require, among other things, that the board provide complete and explicit public notice of a ~~proposed~~ change or withdrawal and provide an explanation of the change or withdrawal and cost comparisons for alternative and equivalent services. The bill would also require the board and specified staff members attend open public meetings and hearings, obtain an independent evaluation and verification, as specified, regarding assumptions about accessibility of health care services, costs, and potential savings. The bill would require the board to

provide, as specified, an explicit and understandable explanation of board's final decision and rationale.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 22855 of the Government Code is
2 amended to read:

3 22855. (a) The board shall withdraw its approval of a health
4 benefit plan if it finds that the plan or carrier is not in compliance
5 with the standards prescribed therefor, that the plan or carrier has
6 not paid or will be unable to pay claims accrued or to accrue, or
7 for other good cause as shown. The board shall provide
8 reasonable notice of its intention to withdraw approval of a
9 health benefit plan to any carrier, employee organization, or
10 organization of physicians that may be directly interested, to the
11 persons enrolled in the health benefit plan, and to other persons
12 and organizations as the board may deem proper. The notice shall
13 state the effective date of, and reason for, the withdrawal of
14 board approval. The approval of a health benefit plan may not be
15 withdrawn until after the notice and after all interested parties
16 have been afforded reasonable opportunity for public hearing on
17 the question. The hearings shall be conducted, insofar as
18 practicable, pursuant to Chapter 5 (commencing with Section
19 11500) of Part 1 of Division 3.

20 (b) The board shall satisfy all of the following requirements
21 when the board ~~intends to make~~ *begins the process of making* a
22 change of a health benefits plan or to withdraw approval of a
23 health benefits plan:

24 (1) The board shall provide complete and explicit public
25 notice to affected employees and annuitants. The board shall mail
26 the notice to employees and annuitants, shall post the notice
27 conspicuously on the Web site for the system, and shall publish
28 the notice in major daily newspapers throughout the state.

29 (2) The board shall make available to affected employees and
30 annuitants, the Legislature, and the public an explanation of the
31 change or withdrawal and cost comparisons for alternative and
32 equivalent services.

1 (3) The recommendation for the change or withdrawal
2 provided by staff to the board's health care decisionmaking body,
3 and the recommendation provided by that body to the board,
4 shall each be subject to a mandatory public review period of 45
5 days. The board shall provide notice of these recommendations,
6 and the beginning and ending dates of the review period, on the
7 Web site for the system, and shall publish the notice in major
8 daily newspapers throughout the state.

9 (4) The board shall hold open public meetings and hearings on
10 the change or withdrawal and shall accept testimony from
11 employees and annuitants. The board shall provide an
12 explanation, both oral and written, of the reasoning for the
13 change or withdrawal, and the explanation shall include
14 discussion of costs and alternatives for access to health care. The
15 meetings and hearings shall be attended by the board and by the
16 staff from the Office of Health Policy and Plan Administration
17 and the Office of Decision and Support Services that were
18 involved in the decision to make the change or withdrawal.

19 (5) The board shall use data from the Office of Statewide
20 Planning and Development in reaching its conclusions regarding
21 the accessibility of health care services, costs, and potential
22 savings connected with the change or withdrawal. The board
23 shall obtain an independent evaluation and verification regarding
24 any assumptions about accessibility of health care services, costs,
25 and potential savings. An independent consulting or accounting
26 firm that does not have a current contract with the system shall
27 provide the evaluation and verification. The board shall make
28 this information available to the employees, annuitants, and the
29 Legislature. Any trade secret or similar confidential information
30 ~~or~~ shall be redacted from the information.

31 (6) The board's final decision on the change or withdrawal and
32 its rationale shall be sent directly to affected employees and
33 annuitants, and the Legislature. The decision and its rationale
34 shall be provided to the public on the Web site for the system.
35 The rationale for board's final decision shall be explicit and
36 understandable.